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BULGARIA LOCAL GOVERNMENT STRATEGIC ASSESSMENT

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EXECUTIVE SUMMARY

The recent political, economic and social experience of Bulgaria has been difficult. While the macroeconomic situation has stabilized, significant political issues remain which bear directly upon USAID's strategic goal of strengthening local government. The short-term political interests of the current majority party, the Union of Democratic Forces (UDF) have been in conflict with the longer-term demands of reform. Coupled with Bulgaria's heritage of centralized government, this creates a less-than-hospitable climate for the reform process.

Overall, we found the USAID local government reform effort to be well motivated, well run and partially successful. Its successes have resulted from the talent and hard work of USAID personnel, its contractors and, most importantly, its Bulgarian partners. The gaps result more than anything else from the enormity of the historical and political obstacles faced.

USAID's Local Government Initiative (LGI) operates mainly through five working groups, policy reform, fiscal decentralization and resources, training, association building and citizen participation. Also involved in the effort are the US Department of Labor Partners in Local Economic Development and Government Effectiveness (PLEDGE), other components of the USAID Democracy Program and the Economic Growth side of the USAID Mission. Additionally, numerous other major donors, such as the European Union (EU), the World Bank, the United Nations Development Program, the International Monetary Fund (IMF), the Dutch Government, the British Know-How Fund and the Inter-Assist Foundation (Swiss) are at work in related fields. Cooperation and coordination among USAID programs and with the other donors is critical but has been inconsistent. Principal findings and recommendations of this assessment address this question, strategically and structurally.

Notwithstanding the difficult background, there have been some significant achievements in several areas. One legislative enactment created a protected civil service class of public employee, an important step toward government competence and stability. Another law governs local government procurement practices in a fashion satisfactory to The National Association of Municipalities of the Republic of Bulgaria (NAMRB).

Other legislative initiatives are pending that have involved important negotiating success by the National Association of Municipalities. These include the Law on Urban Development, a curb on the power of the municipal council to remove a mayor and a law that will authorize local government outsourcing of social services to NGOs. This will provide opportunities both for the municipality to deliver services better and for the NGO to gain an important revenue source.

The effort toward fiscal decentralization and financial resources for local governments has faced the most difficulty and has made the least progress. The obstacles include Bulgarian political tradition, local government apprehension and central government resistance. There has been some success negotiating budget issues by NAMRB and building budget and fiscal management capacity at the local level, but the drive for Constitutional authority to levy, collect and retain taxes locally appears to be stalled.

On training, LGI has sought to institutionalize the process, have it conducted by Bulgarians and make it more market-driven. On each of these goals, there are real signs of progress. NAMRB and the Foundation for Local Government Reform (FLGR) both conduct training for local officials; these programs are conducted mainly by Bulgarians and appear to follow a reasonably coherent plan. There are long-range training strategies and there is also the ability to respond to short-term needs, such as new legislation.

Association development has moved forward reasonably well. NAMRB is the statutory voice for municipalities, which alone gives it a measure of sustainability. It has worked hard at its difficult task of negotiating budget estimates with the central government and has developed its training and communications capacities. FLGR has built substantial credibility and, apparently, some independent funding sources. The delineation of roles and responsibilities between the Association and the Foundation needs to be better clarified, as does their cooperation with each other.

USAID currently supports five regional associations of municipalities, which seem to enjoy strong member support but an unclear relationship with the National Association. Other newer, less developed regional associations were reported to exist but not currently receiving USAID support. As with NAMRB and FLGR, roles and responsibilities need to be more clearly defined so that there is real cooperation among the players.

The citizen participation component has seen good progress in the creation of service centers, participation strategies and communication training and awareness. If a broadened approach to reform, resembling that recommended here, is adopted, the citizen participation element will become even more important.

SUMMARY OF RECOMMENDATIONS

Our overarching recommendation is that the way USAID thinks about and works toward reform needs to be broadened. The inter-dependence among the issue areas is obvious. In particular, fiscal decentralization probably cannot be achieved and certainly cannot succeed without better integration with the other areas. It will require other legislation, more training, stronger associations, more citizen involvement and, most particularly, a restrengthened effort on local economic development.

Because of the interlocking nature of the issue areas, we recommend a slight restructuring of the LGI program, combining some of the existing areas and upgrading others. Policy reform and fiscal decentralization should be in one working group, as should training and association development. We recommend upgrading the economic development effort, technical twinning and the citizen participation elements and adding a small, flexible program for providing goods and materials, such as computers, to local governments on an as-needed basis.

The principal purpose of the restructuring recommendation is to engender better synergy among the working groups. Better cooperation is also needed with other USAID programs. For example, the Firm Level Assistance Group (FLAG) at USAID could support the reinvigorated economic development effort and the media training group could work with the citizen participation element.

Better communication among the donors is also called for. That effort has already begun, with a World Bank donor coordination initiative and other, more recent discussions

METHODOLOGY

The purpose of this assessment, conducted on behalf of USAID by Development Associates, Inc, through Mendez England & Associates, was to provide an independent view of the current state of local government reform in Bulgaria, including levels of success and prospects for the future and recommendations for adjustments in priorities or structure for the next round of contracts, commencing in the Spring of 2001.

The members of the assessment team were Senior Level Public Administration/Strategic Management Specialist William J. Althaus (Chief of Party), Andrey Ivanov, Ph.D., a highly respected Bulgarian economist and Senior Level Public Administration/Strategic Management Specialist J. Hugh Nichols. Althaus and Nichols have long experience as local elected officials and managers and Ivanov has worked closely on reform issues in Bulgaria, authoring several key United Nations Development Program reports. All three participated, in varying degrees in the interview process and in the analysis of data and the writing of this report.

Work on the assessment commenced officially on July 31, 2000 in Washington, DC. The chief of party held meetings and telephone interviews with numerous current and former LGI personnel and with USAID/Washington officials, as well as the Bulgarian Ambassador to the United States and former Prime Minister, Philip Dimitrov. During this time and throughout the project, documents were accumulated and reviewed. These are listed in Annex 3.

Field work began with the arrival in Bulgaria of the chief of party on August 14, 2000. Initial meetings were held in Sofia with officials at USAID/Bulgaria. Because of the September 30 deadline for the new Statement of Work for the new contracts, the chief of party agreed to the participation of USAID officials in the interview process. Almost all of the interviews were attended by Kaye Pyle, USAID Local Government Specialist or Kiril Kiryakov, Local Government Specialist, often by both. Occasionally attending meetings was Nadereh Lee, Chief of the USAID/Bulgaria Democracy and Local Governance Office.

Participation by USAID officials in the information gathering process was not intended to, and in the opinion of the chief of party, did not influence the project. In fact, it was frequently helpful in clarifying matters and filling in gaps in information. This assessment represents the independent analysis and conclusions of the assessment team.

The interview and document review process continued through September 4, 2000. Nichols reviewed documents prior to his arrival in Sofia on August 25, 2000 and thereafter participated in the interview and analysis effort. Ivanov commenced work on August 28, 2000 with interviews, analysis and writing. During the field work, to accommodate as many local officials as possible, trips were made to Stara Zagora and Rousse, meeting with numerous local and association officials in each case.

After departing Sofia on September 5, 2000, Althaus and Nichols continued analysis and writing. The draft report was submitted to USAID/Bulgaria on September 10, 2000.

Bulgaria: Local Government Program Strategic Assessment

I. The Reform Process to Date

The process of political and economic reform in a post-socialist state is not a linear progression nor a chronologically orderly one. The current state of reform in Bulgaria must be viewed against the background of the political, economic and social history of the past few years, at both the national and local levels.

A. The Bulgarian "Landscape" - The economic and political background

In 1996/97 the country witnessed a deep economic collapse, hyperinflation and a decline of living standards.. With a 1996 annual inflation rate of 311% and currency depreciation hitting 3,000%, Bulgaria entered 1997 amid a crisis of economic and political confidence. The democratic opposition had no choice but to lead the discontent, and in the 19 April 1997 Parliamentary elections the Union of Democratic Forces (UDF) gained an unprecedented absolute majority.

The introduction of the Currency Board Arrangement (CBA) in 1997 provided a stable macroeconomic framework, curbed inflation, and made the economic environment more predictable. However stabilization is still not being translated adequately into economic growth (see table on macroeconomic indicators in Annex 1).

Having achieved macroeconomic stabilization by the end of 1997 – mid 1998, the government (and the parliamentary majority) faced several interrelated tasks:

- Completion of the structural reform (which in most cases meant closing whole industries designed for a different and no longer-existing economic environment, with non-existing priorities and markets).
- Bringing the country closer to the requirements of the EU accession process.
- Building the local structures of the ruling party (UDF won the elections more thanks to the weakness of its opponent than to its own internal political strength).
- Provision of some stable opportunities for survival and development for the population (basic safety nets, employment opportunities, especially at the local level).
- Attracting foreign direct investment (FDI) as the major source of economic growth.
- Retaining sufficient political support at least through the 1999 local elections.

Some of these tasks were contradictory and the policy options chosen often were also internally contradictory or at least inconsistent. On each specific issue the government faced the dilemma of what approach to adopt. Some of the objectives (local elections, local party base) required short-term approaches and an increase in the central role of the state (an increased capability to redistribute centrally and to "purchase" political loyalty). Other objectives (EU accession, more FDI or successful structural reform) required long-term approaches and comprehensive decentralization (i.e. appropriate degrees of decentralization of different sectors and levels of governance).

The Kosovo crisis introduced additional dimensions. On the one hand, the country was the real winner, achieving its main foreign policy objectives – it went out of the “twilight zone” in terms of security and entered the NATO sphere of interest. Although not receiving an invitation for full membership, Bulgaria achieved informal “candidate-membership” status in NATO. In December 1999 the country also received an invitation for EU membership negotiations. This augmented the role and the weight of the central government on issues of regional and local development. But at the same time economic growth was still insufficient, especially at the local level, and the central government was not able to devote the necessary resources (corresponding to its increased role and involvement). That is why a peculiar mix of “centralization/decentralization” elements typifies the Bulgarian economy. Responsibilities tend to be decentralized and resources centralized. In the meantime crucial and pending reforms could not be postponed any more. The social insurance reform finally was launched on January 1, 2000, and the health insurance reform on July 1, 2000.

All these elements had their impact on the relations between the central government and the local governments and their roles in issues of regional and local development. On the one hand, the central government reinforced its capability to control the local governments (mainly through controlling access to funds – budgetary and non-budgetary). On the other hand, the central government has been willing to delegate more and more responsibilities to the local level. This may be an opportunity for the local governments to develop an optimal framework of relations and redefine the existing patterns. The introduction of Economic and Cohesion Councils at the level of the six planning regions can and should be used to avoid a further unbalanced combination of centralization and decentralization elements in the system of governance.

B. The local government background

Local self-government was introduced in Bulgaria with the adoption of the Constitution of 1991. Even though the self-governance principle existed before, traditionally local government was always clearly subordinated to central authority. This reflected the “unitarian bias” of the Bulgarian state at the end of the 19th and the whole 20th Century.

The model established in 1991 has several essential features:

- Local governments are an essential part of the democratic structure.
- Local governments are autonomous from the national/central authorities in several fields, defined by the Constitution.
- Local governments’ activities are based on the principle of cooperation between a directly elected mayor and a proportionally elected council.

The local government system in Bulgaria is described usually as exemplifying the “weak mayor-council” model. The mayor’s activity is supervised by an elected municipal council and by an appointed regional governor at the district level. The regional governor,

essentially an extension of the central government, has veto power over acts of the mayor or municipal council.

- The municipal council controls the mayor's policy and can overrule the mayor's decisions; the mayor has only the right of a single suspension veto concerning council decisions.
- The municipal council has clear superiority in controlling material and human resources. Mayors do not have full rights to choose their staff: deputy mayors, mayors of town districts and mayors of settlements under 5000 inhabitants are elected by the municipal council.
- Municipal mayors are controlled by the central government through the district governors and through the Ministry of Finance (using central budget subsidies as leverage). Since the EU accession negotiations started, another important tool for influence emerged – access to infrastructure and regional projects funded from EU pre-accession or structural funds and administered by several ministries (Ministry of Regional Development and Public Works, Ministry of Transport and Communications, etc.).

In general, local government is very centralized, dependent on party influences and local lobbies and still largely contingent on centralized financing. Voting for municipal councils is by party lists and party identification is still overwhelming in Bulgarian society. The proportional system of voting for council members exacerbates the problem of partisanship in local government.

1999 local elections were the first to demonstrate a certain evolution in this respect but it was visible on the side of the constituencies, not the parties. Approximately one third of the votes at the municipal elections went to extra-parliamentary political formations. Voting was characterized by the lowest turnout since 1990 and neither the government nor the opposition could say that they had won the elections. People voted for strong personalities, notwithstanding their party affiliation, and showed support for strong local government. Obviously people were assessing the quality of the local governments' work and not their political affiliation. The political elite, however, seems still unprepared to reform the system in the direction of lower political bias (for example, through introduction of majority vote for Municipal Council members).

The current system often presupposes a conflict between the mayor and the political majority in the municipal council. Also, the political affiliation of the directly elected mayors often differs from that of the parliamentary majority (and hence of the centrally-appointed District Governor). The political elite still tends to see the party coincidence between the majority (in the council or Parliament) and the mayor as a prerequisite for the smooth functioning of the local governments and for the efficiency of municipal policy. This approach blurs the significance of the real (non-political and non-partisan) issues necessary to be solved at the local level, creates an obstacle to local coalition-building and tends to split communities, thereby engendering low levels of cooperation.

The most important local issues, as expressed by local officials, municipal associations, and non-governmental organizations were: (1) an inadequate distribution formula/methodology for tax sharing to provide sufficient revenue to support municipal budgets, (2) inadequate processes through the National Association of Municipalities of the Republic of Bulgaria (NAMRB) to have an impact on Central Government decisions; (3) inadequate technical assistance in all aspects of municipal service activities; (4) inadequate authority to act on local matters; (5) inadequate technical assistance to improve their local economic situation via increased employment, increased investment in the local economy and increased revenues from local sources; and, (6) desire for a continuation and expansion of the 'Technical Twinning program'. All this suggests a need for continuance and expansion of Local Government Initiative technical assistance in the same or a restructured format.

The 1999 local elections left unanswered the question of reforming the local government model in order to make it more efficient, less dependent on central decisions, closer to local needs, less hierarchical and more democratic. Three essential needs should be taken into account while discussing the possible reform of the local government model:

1. The need to maintain and even to enhance the role of the directly elected municipal mayor who traditionally is perceived by the general public being as more symbolically representative of the local community than is the municipal council.
2. The need to give municipalities more weight in their relations with the central government in order to ensure greater access to public funds and support.
3. The need to assure more financial autonomy to municipalities and to reduce the great dependence of local government on central finance.

C. Social Issues

While social and human welfare issues are outside the scope of this task order, the concerns of women, the Roma, pensioners, the disabled and other groups are closely connected with the issues of local government. How local officials are empowered to address the needs of the citizens and whether they have the resources and the will to do so is fundamental both to their ultimate success in building a civil and just society and also to the mission of USAID. Therefore it might be appropriate for the new Scope of Work to include at least general guidance on awareness of social rights issues.

D. Accomplishments

There have been numerous policy successes which have positively impacted the reform process and local governance. Some that have directly involved the Local Government Initiative and its partners:

- A law on public procurement has been adopted along lines satisfactory to both LGI and NAMRB. When implemented, this should diminish concerns about local government procurement procedures, particularly in the large infrastructure area.

- A new set of laws creating a civil service class of public employees has been passed. The implementation process is underway at the local government level, with technical assistance from the Association of Municipal Lawyers.

There are also several pieces of pending legislation which will represent solid accomplishments for LGI's policy reform group and for the National Association of Municipalities, assuming enactment as expected and successful implementation.

- The Law on NGO's will permit local governments to contract with NGO's for delivery of social services. It was observed that local officials are either unaware of this new resource or unlikely to use it, lacking the knowledge of how to do so. This represents an opportunity for LGI to continue to move in the direction of demand-based training. At the same time, utilizing NGO's in this way would contribute to the goal of strengthening them.
- The Law on Urban Development, which has been under consideration for years, has been the subject of a highly participatory negotiation process and is expected to be enacted in a manner quite acceptable to municipalities. The path of negotiation followed here can serve as a model in seeking dialogue with the Ministries on other reform issues. According to the Chair of the Local Government committee in Parliament, of 300 original clauses, over 200 were amended through the negotiation process.
- The controversial and de-stabilizing right of the municipal council to remove a mayor by a simple majority vote has been changed to 75% in the current revision of the municipal council legislation and is expected to pass at that number. This is a positive step toward strengthening the office of mayor and lessening the likelihood of partisan impasse.

E. Conclusions

- Conflicting interests have led to an ambivalent approach to decentralization
- The Bulgarian system of governance remains essentially centralized as to authority and somewhat decentralized as to responsibilities – in effect, a system of unfunded mandates
- Local government interests – municipalities, the municipal associations and NGOs - have achieved some significant successes in policy reform that reflect favorably on LGI and all its partners.
- Serious imbalance remains in the allocation of authority and responsibility between the central government and the local governments
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II. Components of the Current Local Government Program

Currently, the Local Government Initiative (LGI) divides its principal areas of interest into four units, referred to as Intermediate Results, labeled IR 1, 2, 3 and 4. There is also a

Communications and Strategic Partnerships (CSP) component which resembles an IR in most respects except for the name and the fact that it has recently been short-staffed.

A. Policy (Legislative) Reform (IR1)

IR1 seeks to work with partners, in particular The National Association of Municipalities (NAMRB) and the Foundation for Local Government Reform (FLGR), and with the Ministries and Parliament to influence legislation that concerns local governance. Numerous successes are described in Section I, above. However, in addition to specific results, the process needs to be considered. For example, several experts interviewed stated that often local officials, through the NAMRB, enter the process too late. In a centralized parliamentary system, decisions are often made even before legislative drafting and are difficult to negotiate later.

On balance, IR1 seems to have a good record of positive impact. Sustainability would be measured by the ability of the partners, particularly NAMRB, to continue and increase those successes on their own. Since NAMRB has done much of the negotiating itself and since training in the legislative process is reasonably straightforward, this area has good prospects for sustainability.

There are many ways in which the working groups in each of the five areas of interest must work together. Many legislative issues (IR1) are closely tied to fiscal decentralization (IR2) and some laws may need to precede it, others accompany it. At the same time, new legislation inevitably gives rise to new training needs (IR3). Legislative initiatives require the active involvement of the National Association and, sometimes, the Foundation (IR4). As reform moves ahead, it will become more important to gain public and media support (CSP).

B. Fiscal Decentralization and Local Government Resources (IR2)

This appears to be the most segregated of the IRs. This is unfortunate because, as discussed above, the question of fiscal decentralization is inextricably linked to several others, indeed to each of the LGI working areas. It cannot be concluded that there has been much positive impact here, even using measures fairer than a simple win-lose approach. Local government support or even understanding of the issue is spotty at best, public recognition would appear to be nil and central government cooperation non-existent. This is not a criticism of the individuals in this working group or their efforts. They are talented and have done good work. The problem is not the people or level or quality of effort; it is the way we have attacked the issue as a free-standing question.

The Prospects for Fiscal Decentralization

Legislative prospects for fiscal reform in the near term are not good, if measured solely by the gauge of full and immediate fiscal decentralization. Presently, the Bulgarian

Constitution provides that taxes are set “by law”, i.e. by the Central Government. An amendment to the Constitution, by a two-thirds vote of the Parliament would be required for local governments to have authority over either rates or subjects of taxation. An overwhelming majority of those interviewed believe the required Constitutional change is unlikely to occur before next Spring’s election, or indeed any time soon. However, what has emerged in numerous ways through various sources is the idea that this view of reform is too narrow.

Although the proposed Constitutional Amendment to provide more taxing authority to municipalities could conceivably be passed by the necessary two-thirds majority of the Parliament, latent opposition was offered in several of the interviews with local officials. This smoldering concern was over two related matters: (1) fear expressed by two Mayors that Municipal Councils who have the final say on municipal budgets would recklessly raise taxes if a limitation was not imposed in the Constitutional Amendment; and (2) concern expressed by other officials about the unknown nature of the enabling legislation that the Parliament must pass, to implement the Constitutional Amendment after it has been adopted.

The latent opposition is documented by a UNDP report, “Bulgaria 2000: Human Development Report – The Municipal Mosaic”. This report concludes that “Local Development actors prefer to have fewer opportunities to manage the locally generated resources, and more (opportunities) to receive central subsidies. Politicians and administrative officials are more subsidy oriented ...” The raw data from which this conclusion was reached indicates that 56% of those respondents expressing an opinion “...would prefer to have fewer opportunities to manage the locally generated revenues, to receive instead more central subsidies...” This can only lead to the conclusion that if the Constitutional Amendment is adopted, the enabling legislation is likely to languish for an extended period of time.

Because local government support for fiscal decentralization is not universal, the Central Government is receiving mixed signals and not acting, although they continue to claim they will attempt the Amendment this Fall. The Central Government may be treating the issue in a political framework – as an element of the pre-electoral campaign (“encouragement of democracy”).

There are serious economic issues inextricably tied to fiscal decentralization. For many municipalities, probably a majority, the power to levy and collect taxes locally could be a curse rather than a blessing absent significant growth in the tax base and other policy changes. Several mayors finessed the question by simply stating that an increase in the local share of the income tax would have to be granted. This almost certainly will not occur. One mayor candidly stated that, in the event of full fiscal decentralization, numerous poorer municipalities would simply have to continue to receive subsidies for the foreseeable future.

Many local governments lack an adequate resource base (taxes and/or assets) and capacity to implement and benefit from fiscal decentralization. As a result, there is uneven demand for decentralization. To the extent that such demand does exist, it is on the part of the developed municipalities. The driving force of this demand is the desire to retain a greater share of the income generated in their municipalities for local distribution. These disparities can only be addressed by a renewed emphasis on local economic development.

Because of the inability of some local governments to survive solely on self-source revenues, some form of transfer payment from the central government would still be needed. At the same time, there are also municipalities where full fiscal decentralization would likely be quite welcome but with the unintended consequence of harm to the poorer municipalities. If, for example, municipalities with substantial enterprises like shipping concerns were able to levy, collect and retain their own taxes, the funds available to the central government for the still-necessary support of the poorer local governments would be diminished.

The capacity of local government staff to manage a decentralized fiscal system has also been the subject of much discussion and many opinions. However, even most strong advocates of local fiscal control concede that there is still a significant amount of training needed. But the capacity issue is not just one relating to local government. Several people, including a Deputy Minister of Finance, believe there are serious capacity problems within the Ministry of Finance.

Transparency is a greater issue at the central level than the local level. For example, calculations of revenues, spending limits, budget data and subsidy formulae are abstruse at best. Local governments are frustrated in trying to understand how the funds they receive are calculated and why they have the responsibilities they do.

Fiscal decentralization is not a free-standing issue. It can be argued that it is not the issue at all if considered in a broader framework – the degree, and the model for decentralization in Bulgaria. The real issue are what structure of government Bulgaria chooses to have, and what are the optimal patterns of relations between different administrative levels, and what is the desired (and feasible) role of the local governments within the overall institutional framework of governance.

It must also be noted that, contrary to the uniform municipal concern about the lack of central government revenues, as of April 30, 2000, 103.3% of the planned transfers to the municipal governments had been executed. (Source: Early Warning Report: May 2000) This can only have the effect of increasing opposition to the passage of the Constitutional Amendment for increased local taxing authority.

At present the system of governance is still essentially centralized. But the centralized pattern is not just the outcome of centralized fiscal relations. It is a complex structure predetermined to a large extent by the highly redistributive nature of the Bulgarian

economy. Hence changing just one of the segments of this system (the fiscal one) may lead to unpredicted outcomes, such as:

- Deeper disparities between municipalities in terms of economic opportunities;
- Deeper disparities between levels of individual incomes;
- Possible depopulation of certain areas of the country.

The fiscal question, in this broader context, will need effort from the communications and media program as well. The sweeping changes entailed in a real devolution to local authority will not occur without some level of public understanding and support.

That is why the issue of fiscal decentralization should be approached in a broader framework – of gradual decentralization of Bulgarian governance structure over the long term.

Local government and association recommendations concerning municipal issues currently have a poor chance of adoption by the Central Government since the affected Ministries see them as attempts to redistribute prerogatives in favor of local governments. Hence, recommendations from associations and others are likely to be ignored, rejected, or watered down. The Central Government and the affected ministries must be shown that their long-term interest lies in supporting the local recommendations. Proper communication and “inclusive” strategies are needed and it is the National Association, which should put them forward, while avoiding unnecessary “alienation” of the ministries.

The UDF and Decentralization

The party presently in power, the Union of Democratic Forces (UDF) has stated and reiterated several times its intention to propose a constitutional amendment to permit local governments to set, levy and collect their own taxes. As recently as September 4, 2000 in a newspaper interview, a member of the UDF Executive Committee repeated their intention to enter into “consultations” leading to the amendment. Others, including the chair of the Parliamentary Local Government committee, also voiced the same intent. Yet all those interviewed said it would be at least “difficult” to accomplish. This is said to be due primarily to two factors, lack of local fiscal capacity and lack of local support.

The assessment of virtually all the interviewees was that the amendment will not happen soon. It is difficult to escape the conclusion that UDF feels less than firm and unanimous support from local government for the effort and is itself ambivalent at best.

C. Training and Local Capacity-building (IR3)

This IR's working group has been active with the associations and other NGOs to train and to create training modules and a training strategy. The focus has shifted from direct training to train-the-trainers, and more recently toward a market-driven training system. There is a potential inconsistency here, unless a long-term training plan recognizes that demand-driven training will often be reactive and outside the strategic plan.

There were 3 areas of training specifically requested by local officials in our interviews:

- management of municipal property
- proposal(grant)writing skills (particularly for the EU)
- out-sourcing services to NGO's

Because of concern about their management abilities, local governments are apprehensive about receiving additional public property. Similarly, local officials fear missing out on infrastructure projects. On the third subject, both local governments and NGOs fear they may lose the benefits of the new law on out-sourcing. Here is an opportunity to encourage a new, demand-driven and issue-driven mentality throughout the training system.

There is significant partisan turnover after each election. Local government lacks staff capacity (quality not quantity) as much through lack of continuity as lack of training. Working through the municipal lawyers association to implement the civil service law will help address this. It would also be wise for local officials to promote long-term projects and initiatives with time-horizons beyond the mandate of the current Central or local governments.

Sustainability of the training programs needs to be measured partly in terms of the sustainability of the partners to whom such training efforts are being shifted. That discussion follows, under IR4. However, it can be said that both demand and need will continue to exist for the foreseeable future.

LGI has sought to move the effort in two directions. First, it seeks to move the actual training to Bulgarians, as must happen in any train-the-trainers situation. It appears that that is happening. Second, LGI, the National Association and the Foundation have sought to make the program more market-driven. In each of the three areas where a training need was specifically identified, the models have already been developed. It is a matter of responding quickly and offering those subjects where the demand lies. This is not to say that there should not be a long-range training strategy and schedule.

D. Association Capacity Building (IR4)

This component works to build capacity in partner organizations. This is central to the whole local government program because it goes directly to the ability of local institutions to carry on when the lights do finally go out at LGI and USAID. The principal

organizations are the National Association of Municipalities of the Republic of Bulgaria, the Foundation for Local Government Reform and five (at present) regional associations of municipalities. Assistance is also given to certain more specific professional associations, such as the Association of City Lawyers and the Association of Municipal Secretaries.

We were advised that there are other, more recent regional associations which are less advanced and are not USAID funded. The interrelationship among the regional associations and the definition of roles between the National Association and all the regional associations may need clarification. Several of the regional associations expressed concern that the National Association does not always process and put forward their policy positions.

The National Association of Municipalities (NAMRB) had increased input and influence in the development of the distribution plan for budgetary transfers to municipalities as a result of LGI technical assistance. (Source: Successful Practices in Local Government, Fifth LGI Partners Meeting, Feb. 2000) This has led to increased confidence on the part of both the municipal association and local government leaders that they can have an effective impact on central government decision-making. (NOTE: This may also have a negative impact on the demand for local taxing authority, because many Mayors believe that the most desirable solution to their deficit problem is increased sharing of existing taxes.)

There is insufficient communication among existing associations. Mixed signals are sent to the central government. Without better cooperation among the regional associations, solutions can become "locked" within the regional borders but problems tend to be "trans-regional". There appear to have been few attempts to undertake joint projects involving municipalities in different associations (and possibly leading to economy of scale). The exception is the Danube River Initiative, discussed below.

The Association and NGO capacity building components of the LGI have been one of its outstanding successes. Even though it has been structured as a program component separate from the Training Component, the implementation of the program has effectively used the Training Component (IR3) as a vehicle to generate the need for the creation, and to sustain the development, of municipal associations and related non-governmental associations. The most significant result has been the creation of local institutions to sustain the information exchange and technical assistance for municipal services. To a lesser degree the involvement of the associations and NGOs in the substantive issues of decentralization and fiscal reform have increased their credibility and their contributions to civil society in general. It is difficult to establish a direct cause and effect relationship, but it is interesting to note that the 'January – May 2000 UNDP Early Warning Report' reported that over the first five months of the year, local governments are the only units in the general government sector to record a positive increase in the 'Index of Trust'. (Note that the Bulgarian Socialist Party and the Army also had positive increases.)

USAID and LGI seem to have identified the Foundation as a key to post-assistance local governance efforts. It does appear to have had success finding a role for itself and, to some degree, alternate funding sources. Its innovative practices web site at www.flgr.bg, is an excellent resource.

It would be a mistake, however, to neglect the National Association. It is, after all, the statutory voice for municipalities; that alone must give it a measure of sustainability. Additionally, some of its efforts to date have been in the particularly difficult areas of policy advocacy and budget negotiations with the Ministry of Finance. It is only fair to measure its impact in the context of the extremely difficult challenges it must face.

E. Communications and Strategic Partnerships (CSP)

A large number (almost all) of the LGI-assisted municipalities have established citizen information/service centers. (Source: Successful Practices in Local Government, Fifth LGI Partners Meeting, Feb. 2000). This has increased citizen awareness and participation in municipal governance and a general upgrading (or perceived upgrading) in the quality of services. Non-Governmental Organizations working with local governments have assumed significant planning, customer service improvement, citizen information services and local government support functions. (Source: Successful Practices in Local Government, Fifth LGI Partners Meeting, Feb. 2000) This has helped to increase confidence in local government (Source: Early Warning Report: May 2000) CSP staff were either out of Bulgaria or on leave during this assessment visit; there have been some substantial successes with municipal citizen outreach but at the same time CSP seems somewhat overlooked by the other elements of LGI. This is unfortunate because its work is central to moving the reform process forward.

F. PLEDGE

In addition, in the same offices and sometimes working in coordination with the IRs is the US Department of Labor's Partners in Local Economic Development and Government Effectiveness (PLEDGE) program. This is directed toward worker retraining and economic development efforts. Its focus is on community-based projects, bringing Bulgarians into both the planning and training processes.

The program focuses on retraining, creating economic development strategies, competitiveness and securing financial resources. Its strength is in its involvement from the beginning with local people and their thinking. A solid cooperative relationship with the LGI IRs is obvious, natural and essential. This appears to occur intermittently with the best case being the Danube River Initiative.

G. The Donors

In 1999 the World Bank convened a general meeting of donors to discuss programs and seek better interaction. In our interviews several donors observed that this was a good

step but that there was no follow-up. Early in 2000, the United Nations Development Project (UNDP) convened a donor meeting specifically aimed at local government issues. This effort, being more focused and relating to changing agendas, probably has more potential.

Currently, donor coordination is not at a high level. Opportunities for synergy are still not being utilized. This is at least partly because different donors have different agendas, different institutional mentalities and probably even elements of competition. There is an opportunity to create a new, effective dialogue among donors and establish clear divisions of roles and priorities. There is space for all of them but someone has to play the role of a broker. This could be USAID.

As in other countries in Central and Eastern Europe, the flow of resources to the country is still dependent on a limited number of multilateral and bilateral sources. Multilateral assistance, both from within the UN and non-UN System, has accounted for over 80% of all assistance to Bulgaria consistently since 1996 (see Annex 1).

The economic and financial collapse of 1996-97 led to a dramatic increase of international assistance to Bulgaria. Total aid increased by some 120%. This increase was necessary for macroeconomic support to stabilize the economy and also to provide some emergency humanitarian assistance to alleviate the rapid impoverishment of the population. Balance of payments support grew by over 200% in 1997 and projects in the field of emergency relief increased from a total value of some USD 224 thousand to almost USD 68 million.

In 1999 for the first time this upward trend of donor support was reversed and international assistance to the country declined by some 28%. The reason was the continuing economic recovery (no need for emergency support) and the positive medium term outlook for the economy. Also certain restructuring of the support can be seen – it seems to be more focused on specific projects than on balance of payments support. Probably that is why bilateral assistance was in 1999 the only form of international support to continue to grow (by some 10% compared to 1998). Another evidence supporting this hypothesis is the fact that in 1999 investment project assistance for the first time reached 53% of assistance in the form of loans (loans account for more than 70% of the assistance since 1996).

Grants are expected to increase in the future. Their twofold increase in 1997 was exceptional and due to the support for emergency assistance projects. In the future an increasing share of all grants may be expected to be for investment assistance projects (18% in 1999), mainly related to the opening of the EU pre-accession funds for Bulgaria (ISPA and SAPARD).

In sectoral terms, external assistance tends to be distributed among all sectors of economic and social activity. The economic management sector remained the major recipient of aid in 1999 (40% of all assistance), although its overall share decreased from 56% in 1998.

The infrastructure sectors (transport, energy and communications) received some 25% of all assistance in 1999 and industry 10%.

It is difficult to evaluate the share of the assistance that goes to local government support (mainly for the reason that activities at different levels may be and usually are funded from the same budget lines). But certainly the significance of this type of assistance will increase in the future.

A certain "distribution of labor" between donors exists as well. Some of the donors are more focused on local governance and regional development issues than others. These are:

- USAID
- UNDP
- Swiss government funded projects (Inter-Assist, FAEL)
- United Holland Foundations
- Dutch government

There are clear distinctions among the philosophies that different donors follow. Most of them work in the same fields and often among the same beneficiaries. This may lead to certain conflicts (mainly when the same constituency is involved in projects with different philosophies). At the same time the similarity of the scope of work and interests gives grounds for developing common approaches to certain issues. Some of the issues requiring coordinated donors' policy are:

- Economic development ("assist" businesses or optimize the environment?)
- Development assistance for minorities (grants or loans?)
- Capacity building (seminars or "learning in the process of doing"?)

H. Relations with other USAID programs

Several USAID programs on the economic growth side of the mission relate to the local governance efforts. The Firm Level Assistance Group (FLAG) seeks to work with business associations to help small and medium businesses develop. This could work more closely with a newly upgraded economic development component, proposed below. There are also active efforts to assist with health and pension reform, subjects that go to the heart of the service and fiscal realities of local government. These elements should coordinate with the newly reconstituted policy and fiscal reform group, also proposed below.

There are also parts of the democracy program relating to media training and legal reform where there would certainly be opportunities for better interaction. The indifferent level of cooperation seems neither deliberate nor fatal; it does seem to be structural and therefore may be easier to address.

I. Conclusions

- Policy reform has had notable successes and has developed a good working relationship where partners are carrying much of the water.
- Fiscal Decentralization operates more in isolation and cannot succeed alone
- Training has begun to develop a good Bulgarian capacity but needs to be more closely associated with the association/NGO program
- The association-building work is making solid progress and will benefit from more collaboration with both the training and the citizen participation elements
- The Citizen Participation effort (CSP) has seen numerous successes but has not been fully utilized by the other groups
- In order to sustain its progress and become more integrated with the overall effort, PLEDGE needs to be better integrated with all of the other elements
- Cooperation among donors is ready to grow, based on changing and more closely linked areas of interest, particularly with regard to local governance
- Other USAID programs could offer far more support to the Local Government Initiative and receive more help in return

III. Strategic opportunities for USAID

USAID's primary goal has been, of course, real democratic reform, both politically and economically. In this process, the dominant objective has been the achievement of full and rapid fiscal decentralization. Many of those interviewed considered this as overarching and dominant. Fiscal decentralization has been viewed as a free-standing objective, capable of being achieved on its own and having merit separately achieved. The interview and document evidence strongly indicate that this will not happen and, more importantly, if it did happen in the short term without other important changes, it would fail. There are far too many economic, political and technical hurdles for immediate implementation. This does not in any way mean that USAID should alter its commitment to this goal. It is the foundation of real local self-government. What is needed is not a new priority but a refreshed approach to this one.

The issues need to be addressed in an invigorated approach to several inter-related matters. This assessment suggests that rethinking the LGI structure and the strategic approach to local autonomy complement each other perfectly and offer important new strategic opportunities for USAID, with no lessening of the commitment to meaningful local self-government.

One key issue is local and national economic development. To avoid a zero-sum game, foreign investment is necessary, and will require much work on the judiciary and the commercial law. While a few developing countries with prized resources like oil may be able to attract foreign capital without a workable legal framework, others, like Bulgaria, must have a sound set of business laws and a reliable judicial system in order to gain the confidence of foreign investors.

One of the greatest concerns of local officials is the lack of sufficient employment opportunities within their municipalities. They see this as a core cause of their fiscal dilemma of increasing local government costs, ranging from public health services to street lighting, and lack of local revenues from existing fees, and from taxes shared with the Central Government. There was limited awareness of the U.S. Department of Labor's PLEDGE program, which has begun to furnish economic development assistance to 29 of the 262 municipalities. In some instances concern was also expressed over the PLEDGE process of selecting cities for economic development programs without first assessing the economic development needs of a broad spectrum of cities. It was generally believed that the city selection is based upon the city's expressed interest and commitment, i.e., current resources, and the probability of a successful project rather than upon the greatest demonstrated need for economic development and growth. Some municipalities were also aware of LGI assistance to regional organizations and associations such as the Danube River Initiative and the Regional Associations of Trakia, Stara Zagora, and Rhodope. LGI helped develop strategic plans and processes, some of which included significant economic development components.

Many of those interviewed cited the Danube River Initiative as a possible model for cooperation, based on its apparent success to date. To the extent that is so, the most probable reason is that cooperation is task-oriented rather than relying on generalized periodic meetings. This multi-discipline effort brings together regional associations, municipalities, PLEDGE and NGOs under the coordination of LGI.

The desire of most local officials was for a much broader range of USAID technical assistance targeted to the municipal level of government, beginning with the development of long-term plans for economic development such as a supplement to the existing PLEDGE program of the USDOL. The local officials see this as potentially a major element of their total programs for increasing employment, increasing local revenues through fees, and increasing shared revenues through increased income and corporate taxes as a result of the increasing employment. Many also expressed this as a prerequisite for increased taxing at the local level. One Mayor said, 'What good is taxing authority if I have nothing to tax.' Another Mayor said, 'I cannot increase local taxes without lowering the standard of living for my constituents who already have difficulty at salaries of \$35-100 per month.' Yet another Mayor said, 'One of my biggest problems is collecting rent from citizens in public housing. How can they pay local taxes when they cannot pay their rent?'

Because another sine qua non for new investors is a trained or trainable workforce, there is an opportunity for new synergy between LGI and PLEDGE.

Another component of a broad approach to the reform question is communications strategies and citizen participation. The political will and the public demand for decentralization do not appear to be present at this time. As changes are incrementally sought and introduced along the road to local autonomy, it will be essential for Bulgarian government, central and local, to have and to use the skills needed to educate the people and engage their support.

Important opportunities exist for better interaction with other USAID programs, specifically FLAG, health and pension reform, judicial reform and media training. These relate so closely to the local government programs and objectives that cooperation is both logical and necessary.

Recommendations

- Decentralization of authority to the local level should remain the primary goal
- Fiscal decentralization should be viewed as one component, albeit a critical one, of the overall shift of authority
- A broad-based strategy should be adopted to achieve decentralization, including certain elements, including economic development, citizen participation and better cooperative structures among the players
- New formats for collaboration should be developed, including the DRI model, aimed at synergy among the LGI programs but also with other USAID programs and also other donors

IV. Future Program Structure

Our assessment found the current structure of the USAID local government program, in particular the Local Government Initiative, to be basically sound. Indeed, it has worked well much of the time and has produced or contributed to many important results. The recommendation to alter slightly the structure arises solely from the strategic recommendation that the efforts on decentralization be broadened.

A. Recommendations

The IRs and other elements should be reconstituted and new elements added to create the following components:

Policy Reform

The Policy Reform assistance effort should be continued to address the full range of issues in the structure of intergovernmental relations. Fiscal decentralization is a part, and probably the most significant part, of this set of issues and should be included as a central part of this component. To separate fiscal reform from the basic framework diffuses the comprehensive effort that is needed. The majority of local officials decried the multitude of laws attempting to address the local government framework in isolation, e.g., the public property act, the finance act, the budget act, etc. As a matter of fact, most local officials were not exactly sure how many different laws or regulations were involved but they did believe that relations between the different levels of government could be improved if they were addressed in a unified manner. This was not a request for a common law but for a common approach ranging from the smallest municipality through the Regional Governors and Planning District relations to the Ministry of Finance, the Local Government Committee, and the passage of the Annual National Budget Act.

Municipal and Association Development

This goal would be a restatement of both the training and association development activities that recognizes that training exists both as a professional activity and as a mechanism to impart specific information to specific partners. In the case of the local governments, training is not provided simply as a process but to increase skills in such fields as budget analysis, cost allocation, solid waste practices, investment practices, and any function that is involved in the delivery of public services. This training is generally provided upon demand by request of one or more municipalities. It is extremely important that the act and skills of the training processes be transferred as rapidly as reasonably possible to existing or new institutions including municipal associations and NGOs that have some form of local government orientation. Bulgaria has made great progress in the development of associations. The tasks of transferring the capacity for training ranging from technical assistance, to organizational structures, to intergovernmental relations, to regulatory frameworks, and beyond, to these municipal associations and related NGOs are still formidable and require continuing technical assistance.

Citizen Participation and Public Communications

Local government officials display a willingness to look to the people they serve for guidance in the provision of public services. Many officials see this as a change in mentality from the old method of taking directions and following orders from the top to receiving, evaluating, and responding to client requests. Most feel very comfortable with this change and are more than willing to lead and to serve rather than to command and control. This concept is relatively new to the public and needs to be nurtured and encouraged by the development of new and modern two-way public communications technology and techniques. It needs to be developed as a push-pull process: push on the part of the citizens and pull on the part of government. This consists, in essence, of defining and developing the instruments of push-pull and training the institutions

themselves: the associations, the NGOs and the local governments, in the use of those instruments.

Economic Development Assistance

Given the requests of the LGI clients interviewed and the declining GDP, Industry and Services components (see Appendix 1), it is clear that the current approach to economic development is not working, at least not well enough to play its part in the reform process. Economic development assistance could logically be folded into Component 2 as described above because it is, in fact, technical assistance for the development of a municipal service. The local official attitude, however, was that economic growth and development is so critical that it stands alone as an activity for:

1. improving the local quality of life
2. increasing local revenues through the ability of citizens to for municipal services
3. decreasing the cost of municipal government by increasing recovery of costs and providing the opportunity for full cost recovery
4. improving the central government revenue, and therefore, municipal revenue sharing, through increased personal and corporate income taxes

Although not specifically articulated, the conclusion from the above is that increased local economic growth or the expectation of increased local economic growth would certainly increase the enthusiasm for local taxing authority. This component would consist of increased joint activity with the USDOL economic development programs and all regional economic development programs. It would also consist of an intensive program in economic development strategy processes delivered to pilot cities and transferred to all municipalities through the National Association of Municipalities, the 'Innovative Practices' program of the Foundation for Local Government Reform, regional associations, and any other available instruments for exchange of technical information.

Small Grants Program

Based upon experience in other Eastern European USAID technical assistance programs, a flexible small goods and materials component for non-infrastructure technical assistance associated with the other components of the program can significantly contribute to its success. In 1998, the Albania public administration program included a component for computing equipment and related programs and training of approximately \$50,000 to facilitate the budget improvement and financial technical assistance as a forerunner to the decentralization initiative. The current Local Government reform Program in Macedonia has a \$200,000 goods and materials component to support the municipal management, association development and citizen participation technical assistance components. Small infrastructure projects (not recommended) here were included in the former Macedonia public administration project (1998) and in the current Albania public administration program (1999-2000). The former was in the range of \$100,000 and the latter in the

range of \$300,000. These components significantly enhanced the value and success of the related technical assistance.

This would not be a replacement for the institutionalization of a direct grants program envisioned for larger and longer-term projects. Instead, it would be for immediate funding for information resources, small equipment purchases, networking opportunities, and specialized training to insure the success of the associated technical assistance projects. This program would not provide direct transfers to Bulgarian organizations or individuals but would provide resources for the program to provide the goods, materials and services in conjunction with the provision of associated technical assistance.

Technical Twinning Program

We recommend institutionalization of the 'Technical Twinning Program' to create permanent structures after the ICMA program is finished. Municipal officials who had been a part of the Twin Cities program were uniformly found to be more enthusiastic and more aggressive in the application of new ideas in municipal development and service delivery. There are U.S. national organizations that could provide a vehicle for institutionalizing this process. By promoting the transition of graduates of the USAID twinning efforts into other organizations such as Sister Cities International, this very successful practice can be spun-off and institutionalized.

Annex 1

Economic profile

Economic growth (%)

| | 1996 | 1997 | 1998 | 1999 |
|-------------|-------|------|------|------|
| GDP growth | -10,9 | -6,9 | 3,5 | 2,5 |
| Agriculture | -18,0 | -5,5 | 4,2 | 6,7 |
| Industry | -7,9 | -7,0 | -7,5 | -4,0 |
| Services | -6,5 | -8,0 | 5,7 | 2,7 |

Structure of GDP by sector (in %)

| | 1996 | 1997 | 1998 | 1999 |
|-------------|-------|-------|-------|-------|
| Agriculture | 11,7 | 22,2 | 26,5 | 19,9 |
| Industry | 32,6 | 32,8 | 28,2 | 28,6 |
| Services | 55,7 | 55,0 | 45,3 | 51,5 |
| Total | 100,0 | 100,0 | 100,0 | 100,0 |

Balance of Payments (in millions of USD)

| | 1996 | 1997 | 1998 | 1999 |
|---|---------|---------|---------|---------|
| Total exports | 4 691,0 | 4 814,0 | 4 193,0 | 3 928,0 |
| Total imports | 4 668,0 | 4 420,0 | 4 574,0 | 4 926,0 |
| Trade balance | 133,0 | 394,0 | -381,0 | -998,0 |
| Services | -282,0 | -185,0 | 90,0 | 46,0 |
| Current Account Balance | 21,0 | 446,0 | -61,0 | -632,0 |
| | | | 10 | |
| Total external debt | 9 514,0 | 9 733,0 | 021,0 | 9 792,0 |
| Total external debt (% of GDP) | 97,0 | 96,0 | 82,0 | 80,0 |
| Current account balance (% of GDP) | 0,2 | 4,4 | -0,5 | -3,2 |
| Trade balance (% of GDP) | 1,4 | 3,9 | -3,1 | -6,2 |
| Foreign direct investment, net (% of GDP) | 1,4 | 5,0 | 4,4 | 3,8* |
| Consumer prices index, end year | 310,8 | 578,5 | 1,0 | 6,2 |

| Social Indicators | | | | |
|---|-------------|-------------|-------------|-------------|
| Population | 1996 | 1997 | 1998 | 1999 |
| Natural growth rate (per 1 000) | -5,4 | -7 | -6,4 | -7 |
| Density (per sq. km) | 75,1 | 74,8 | 74,5 | 74,5 |
| Urban (%) | 68,8 | 69 | 69,2 | 69,3 |
| Female (%) | 51,11 | 51,12 | 51,38 | 51,4 |
| Average age (years) | 38,8 | 38,6 | 38,5 | 38,4 |
| Population (thousands) | 8,34 | 8,32 | 8,24 | 8,19 |
| Health | | | | |
| Life expectancy (years) | 70,6 | 71,1 | 70,4 | 70,8 |
| Male (years) | 67,1 | 67,6 | 66,8 | 67,2 |
| Female (years) | 74,6 | 74,7 | 74,5 | 74,7 |
| Infant mortality (per 1 000 births) | 15,6 | 16 | 15,7 | 14,4 |
| Education | | | | |
| Net primary enrollment rate | 98 | 97,9 | 96,8 | 98 |
| Net secondary enrollment rate | 78 | 77,6 | 77,4 | 77 |
| Adult literacy rate | 98,2 | 98,2 | 98,3 | 98,3 |
| Income and unemployment | | | | |
| Average monthly wage (in USD) | 56 | 107,6 | 127,8 | 122,1 |
| Registered unemployment rate (% end of years) | 12,5 | 13,7 | 12,2 | 16 |

Administrative division

| | 1996 | 1997 | 1998 | 1999 |
|----------------------------|-------------|-------------|-------------|-------------|
| Number of municipalities | 255 | 262 | 262 | 262 |
| Number of districts | 9 | 9 | 9 | 28 |
| Number of planning regions | 0 | 0 | 0 | 6 |

| Summary of external assistance disbursements by groups of donors (in thousands of USD) | | |
|---|----------------|---------------|
| Donor group | 1998 | 1999 |
| Multilateral total | 1356242 | 882916 |
| <i>In which:</i> | | |
| UN system total | 655800 | 493523 |
| Non-UN system | 700442 | 389393 |
| Bilateral total | 147529 | 167393 |
| In which: United States of America | 41289 | 47676 |

| | | |
|--------------------|----------------|----------------|
| NGOs total | 330 | 117 |
| GRAND TOTAL | 1504101 | 1050426 |

| Summary of external assistance disbursements by type (in thousands of USD) | | | | |
|---|---------------|----------------|----------------|----------------|
| Type of assistance | 1996 | 1997 | 1998 | 1999 |
| Free-Standing Technical Cooperation | 139398 | 132518 | 140202 | 164488 |
| Investment-Related Technical Cooperation | 6195 | 3714 | 530 | 1947 |
| Investment Project Assistance | 123412 | 256377 | 508551 | 466874 |
| Program/Budgetary Aid or Balance of Payments Support | 201929 | 578128 | 819243 | 412722 |
| Emergency and Relief Assistance | 841 | 67952 | 35573 | 4391 |
| GRAND TOTAL | 471775 | 1038689 | 1504099 | 1050422 |

| Summary of external assistance by type and terms (in thousands of USD) | | | |
|---|------------------|---------|---------|
| Type | Terms | 1998 | 1999 |
| Free-standing cooperation | <i>Grant</i> | 140 112 | 161 488 |
| | <i>Loan</i> | 100 | 800 |
| | Sub Total | 140 212 | 162 288 |
| Investment-related technical cooperation | <i>Grant</i> | 530 | 1 947 |
| | Total | 530 | 1 947 |
| Investment project assistance | <i>Grant</i> | 27 361 | 38 336 |
| | <i>Loan</i> | 481 198 | 430 738 |
| | Sub Total | 508 559 | 469 074 |
| Balance of payments support | <i>Loan</i> | 819 221 | 393 538 |
| | <i>Grant</i> | | 19184 |
| | Total | 819 221 | 412 722 |
| Emergency and relief assistance | <i>Grant</i> | 35 573 | 4 391 |
| | Total | 35 573 | 4 391 |
| Grand total | | 1504100 | 1050422 |

Annex 2

List of Persons Interviewed

1. **Adjarova**, Liyana, President; Common Good Projects Foundation
2. **Angarski**, Krassimir, Advisor to the President, President's Office
3. **Aranaudov**, Dimitar, Mayor of Harmanli
4. **Arnaudova**, Diana, NGO and Media Specialist, USAID
5. **Atanassova**, Anelia, IR1 Team Leader, LGI
6. **Ahmed**, Yasharali, Mayor of Mineralni Bani
7. **Barbalov**, Doncho, Capital Markets and Pension Reform, USAID
8. **Barnett**, Camille, Washington
9. **Berthin**, Gerardo, UN Development Program
10. **Chavdarova**, Ginka, ED; National Association of Municipalities in the Rep. of Bulgaria (NAMRB)
11. **Christova**, Slaveia, Inter-Assist. Foundation
12. **Daly**, Jane, Country Director, PLEDGE
13. **Davis**, Marilynne, IR3, LGI
14. **Dimitrov**, Dimitar, Deputy Mayor of Rousse
15. **Dimitrov**, Phillip, Ambassador to the United States
16. **Dimitrova**, Zhivka, Member of the National Audit Office; National Audit Office
17. **Doulev**, Peter, ED; Association of Danube River Municipalities
18. **Dushkova**, Ivanka, ED; Regional Association of Municipalities "Maritza"
19. **Enkin**, Delyan, Mayor of Troyan
20. **Gankov**, Svetlin, IR4, LGI
21. **Garnizov**, Vassil, Deputy Minister of Regional Development; Ministry of Regional Development
22. **Gegova**, Petya, ED; Association of Rhodope Municipalities
23. **Georgiev**, Blagovest, Project Manager of the Regional Initiatives Fund; Ministry of Labor and Social Policy
24. **Guerorguieva**, Tatiana, Municipality Secretary, Rousse
25. **Hadjigeorgieva**, Nikolina, Mayor of Yambol
26. **Hauser**, Florian, European Union Delegation
27. **Hristova**, Bisserka, Mayor of Borovo
28. **Kalchev**, Dimitar, Mayor of Rousse
29. **Kamenov**, Mladen, Team Co-leader, IR3, LGI
30. **Kancheva**, Mariana, ED; Union of Bulgarian Black Sea Local Authorities
31. **Kapitanova**, Ginka, ED; Foundation for Local Government Reform (FLGR)
32. **Katzarchev**, Atanas, Head of Tax Policy Directorate, Ministry of Finance
33. **Kiryakov**, Kiril, LG Specialist, USAID
34. **Kondova**, Galia, Research Assistant; World Bank

35. **Lee, Nadereh**, Democracy Officer, USAID
36. **Lund-Jensen**, Trine, Deputy Resident Representative, UN Development Program
37. **McFarland**, Debra, Mission Director, USAID
38. **Minchev**, Ognyan, ED; Institute of Regional and International Studies
39. **Minis**, Hal, RTI, North Carolina
40. **O'Brien**, Tom, Resident Representative; World Bank
41. **Paskalev**, Kostadin, Mayor of Blagoevgrad
42. **Petkova**, Pavlina, Editor; Bulgarian News Agency
43. **Popov**, Ilian, MP, Union of Democratic Forces, Chairman of LG Committee
44. **Pozharski**, Peter, Project Officer, World Bank
45. **Pyle**, Kaye, LG Officer, USAID
46. **Radev**, Dimitar, Deputy Minister of Finance, Ministry of Finance
47. **Radeva**, Eva, ED; National Association "Legal Initiative for Local Government"
48. **Rashev**, Rumen, Mayor of Veliko Turnovo
49. **Rossenov**, Luchesar, Mayor of Dobrich
50. **Sanders**, Bob, Chief of Party, LGI
51. **Sanders**, Colleen, Business Consultant, Common Good Projects Foundation
52. **Savov**, Emil, Team Co-leader, IR2, LGI
53. **Simov**, Valentin, Independent, Member of LG Committee, Parliament
54. **Smith**, Colin, Director; British Know-How Fund
55. **Spofford**, Tom, IR2, LGI – exchanged e-mails
56. **Tandberg**, Avind, IMF Budget Advisor; Ministry of Finance
57. **Torbov**, Milko, Mayor of Kozlodui
58. **Tsenov**, Ivan, Mayor of Vidin
59. **Tzankova**, Ivanka, Program Officer, USAID
60. **Uzunov**, Venelin, Mayor of Razgrad
61. **van der Lingen**, Bert, Deputy Chief of Mission; Embassy of Netherlands
62. **Varlyakov**, IvanED; Regional Association of Municipalities "Trakia"
63. **Walter**, Bonnie, USAID/Washington
64. **Webster**, Russell, MSI, Washington
65. **Yaneva**, Veska, Head of Regional Coordination Dept.; Council of Ministers
66. **Yankova**, Dora, BSP, Member of LG Committee, Parliament – questions in writing
67. **Yarmov**, Nikolay, Small and Medium Enterprise Specialist, USAID
68. **Zhelev**, Evgeni, Mayor of Stara Zagora

Annex 3

List of documents consulted

Local Government Initiative

1. Local Government Innovative Practices Team Charter
2. Citizen Participation and Communication Training Module Up-date 5/00
3. Rationale for Decentralization
4. 29 PLEDGE Sites Map
5. PLEDGE Donor Coordination Map
6. PLEDGE Partners in Local Economic Development and Government Effectiveness (brochure)
7. IR4 Association Building
8. IR3 Capacity Building
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